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Report Highlights:

Damage to barley and wheat crops could reduce MY03/04 output by 40 percent.

Record corn exports in MY02/03, and forecast large MY03/04 crop, could lead to back-to-back records. Quality concerns are forecast to lead to higher grain (and bread) prices in MY03/04.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Sofia [BU1], BU

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Summary

This report focuses on the three major grain crops in Bulgaria: wheat, barley and corn. It contains information provided by the Bulgarian Ministry of Agriculture, industry sources, independent market information analysts, producer and trader groups.

Prospects for MY03/04 production of fall crops are bleak due to damages from the adverse winter weather, late planting and lower planted area to wheat. AgOffice estimates for wheat harvested area is at 85 percent of planted area or a 15 percent reduction; and production at 2.4 MMT. Barley harvested area is estimated to be lower at 60 percent of the planted area or a reduction of 40 percent; and production of 520,000 MT. Short production is estimated to lead to lower exports, higher domestic prices, feed shortages and eventually a demand for imports of higher quality wheat and barley.

Corn production prospects are more optimistic since farmers will compensate for the loss from the fall crops with planting of more spring crops such as sunflower and corn. Planted area is estimated to reach a higher than usual level of 400,000 HA and production is estimated at 1.5 MMT.

MY02/03 grain exports were record high for all three major crops. As of April 2003, MY02/03 wheat exports reached 980,000 MT; barley exports, 600,000 MT; and corn exports, 180,000 MT. Prospects for grain exports in MY03/04 are for much lower volume.

Production

Weather

The weather in the December 02 - March 03 period was not favorable for development of fall crops. Similar to other countries in Central and Eastern Europe, temperatures were record lows and the snow cover was not enough to protect fall crops in major grain areas. The lowest temperatures were registered between December 02 and February 03. Bulgaria overall appears in a better situation if compared to Romania, Hungary or Poland. Unlike Ukraine and Moldova, March weather was relatively favorable with no frozen soil and no significant snow cover which allowed farmers to start their spring work in time.

The damages from winterkill need to be further researched and estimated. This survey will be the most critical factor for the supply and demand situation in MY03/04. In general, barley is more severely affected than wheat. The most seriously damaged area is in Northeast Bulgaria which is the major grain production region and where the concentration of large commercial farms is the highest. The first official figures were released at the end

of March and showed 60,000 HA of damaged wheat and 110,000 HA of damaged barley. Some officials talk about a 15-30 percent damage for both wheat and barley crops, and up to 70-80 percent damages in the major grain areas. Researchers forecast a 30 percent reduction in wheat production with estimates for 2.2 - 2.7 MMT. New official estimates are to be released in May.

The very first reaction of farmers to the current situation is to increase planted area for spring crops, sunflower and corn, in an effort to compensate for the losses from the fall crops. Since most farmers do not insure their crops, it is expected that they will try to make up accumulated losses from the damaged fall crops in the prices of other crops, mainly corn. This process may lead to bankruptcy of small/medium farms and political tension including appeals for higher intervention prices, export subsidies, or debt forgiveness, etc. In addition, a likely shortage of milling quality wheat may lead to import demand for higher quality wheat, wheat flour, and finally higher prices of wheat flour and bread which may result in social protests.

Production Estimates

Wheat

In MY03/04, wheat planting was late due to unfavorable weather. Small/medium sized farms lacked funds for planting due to lower 2002 farm gate prices. For example, the number of days with rain in the period June 02 - October 02 was double the norm. Rainfall in the third week of September (the optimum planting time) exceeded the norm by 300 percent. This unfavorable weather did not allow for a timely harvesting of corn and sunflower, and as a result, the planting of fall crops was further delayed.

According to the MinAg, wheat planted area reached 1.1 million HA versus 1.36 million HA in MY02/03. AgOffice estimates, however, are lower than the official figures for both years (see Production Table #3). According to industry sources, wheat planted area in MY03/04 reached 930,000 HA. Recent surveys of winter damages revealed various estimates ranging from 10 to 60 percent losses depending on the region. No such official estimate has been released yet. According to most researchers, producers and traders, average wheat damage estimates are likely to run about 15-20 percent. This means that the harvested area will be 800,000 HA (no spring wheat will be re-sown) or 30 percent less than in MY02/03. Based on this area, production is estimated to be between 2.2 million MT and 2.7 million MT (Ag Office estimates 2.4 million MT). It is not clear yet to what extent the winter damages will affect the yield and quality from "standing" fields. However, experts anticipate quality to decline.

In MY02/03, planted area reached 1.15 million HA (MinAg data 1.36 million HA). In

MY02/03, the percent of non harvested area was relatively high, 14,000 HA, due to rainy weather during harvest. Production was estimated at 3.450 million MT (MinAg data 3.99 million MT). In addition to this volume, there was a small crop of durum wheat, 57,000 MT from 21,000 HA. The average yields were 3.0 MT/HA with 3 percent of foreign matter, harvest losses and impurities. Production by regions in MY02/03 is given in Table #1.

In MY02/03, certified wheat seeds were used on half of the area planted to wheat. The other 50 percent were usually small/medium sized farmers who were still using non-certified seeds which negatively affected their yields and quality.

Crop rotation in MY02/03 was an increasing production problem. The percent of wheat repeated on the same field increased to 38 percent vs 28 percent in the previous year. There was a reduction in the percent of wheat grown after corn, from 23 percent in MY01/02 to 18 percent in MY02/03; and after sunflower, from 28 percent in MY01/02 to 19 percent in MY02/03. Both corn and sunflower are good preceding crops for wheat areas.

Inputs use, fertilizers and chemicals, was better in MY02/03. About 90 percent of wheat area was fertilized with nitrogenous fertilizers. However, phosphorous fertilizers were used on only 5 percent and potash on only 1 percent of the wheat area. Plant chemicals were used as follows: herbicides on 83 percent; insecticides on 21 percent and fungicides on 12 percent of the wheat area.

Table#1. Wheat production in MY02/03 by regions in Bulgaria

Wheat production in MY02/03 by regions in Bulgaria				
Region	Area, HA	Percent of change in MY02/03 c/w MY01/02	Yield, MT/HA	Percent of change in MY02/03 c/w MY01/02
Northwest	175,118	24%	2.26	-25%
North-central	287,439	-3%	2.91	-15%
Northeast	432,869	-5%	3.67	17%
Southeast	174,866	2%	3.22	27%
South-central	230,876	4%	2.63	- 4%
Southwest	67,454	- 4%	1.93	-21%
Source: Bulgarian MinAg				

Wheat quality in MY02/03 generally met the international standards for feed wheat. The Government Grain Agency ("Natzionalna Sluhzba po Zurnoto") tested about 25 percent of total output which was considered to be a representative sample. The major reasons for quality problems were rains during harvest and insect damage. It was estimated that over 50 percent of wheat kernels were damaged by insects. Other quality problems came from not sufficient use of phosphorous fertilizers and potash over the last 5-6 years. The quality tests showed the following results:

- moisture: close to the norm and no additional drying was needed;
- hectoliter mass: the hectoliter mass was higher than in MY01/02. The average index of 76 was present for 78 percent of tested lots which is an indication for a good conversion rate/yield upon milling into flour;
- wet gluten: the index varied from 22 to 34 percent for 73 percent of tested lots; lower index from 9 to 21 percent was available for 21 percent of the tested lots. Only 6 percent of tested lots showed a very negative gluten result which was typical for the area around Dobrich and Silistra where insects damaged wheat plants. In these two areas, the percent of wheat affected by bugs was 10-30 percent;
- falling number: this index was in the optimum range of 250 - 400 s (seconds) for 77 percent of tested lots, the remaining lots showed a wide range of 150 to 586 s. The minimums were a result of rains during harvest and thus of higher percentage of germinated

wheat kernels;

-raw protein: the content ranged from 9 to 16 percent on a dry basis; the content above 11.5 percent was present in 70 percent of tested lots; and below 11.5 percent for the remaining 30 percent of tested lots.

Based on these tests, overall wheat quality in MY02/03 was determined as mainly feed quality: 64 percent qualified as third class; 35 percent as second class and only one percent as prime quality wheat. Therefore, exported wheat was accompanied by animal feed quality veterinary certificates and sold at relatively low prices.

Production costs in MY02/03 are estimated at an average of 425 leva/HA (\$236/HA) which converted through the average yield of 3.0 MT/HA was equal to 141 leva/MT of wheat (\$78/MT). This production cost varied from 260 leva/HA to 700 leva/HA, with yields from 2.50 MT/HA to 5.0 MT/HA. Provided that the average farm gate price in July - September 02 was 140 leva/MT, only farms with yields above 3.3 MT/HA were able to make a profit.

Barley

Prospects for MY03/04 barley production are bleak. The major reason for a reduction in expected supply is the adverse winter weather. Currently estimated damage is between 30 and 90 percent, (down to 140,000 HA-190,000 HA for the harvested area, AgOffice estimate for 170,000 HA) or a higher loss than for wheat. In addition, planted crop area was lower, and expected yields for remaining fields are to be lowered. As a result, the preliminary production estimate is between 430,000 MT and 580,000 MT (520,000 MT AgOffice estimate). This estimate could change if farmers produce more spring barley which is not a typical commercial crop. At the end of April, however, farmers reported 56,000 HA of planted spring barley. Lower total production will strictly limit export opportunities. The other effect of the short supply is likely to be a feed shortage or high substitution with less expensive feed, and higher barley prices.

MY02/03 barley production was a record high and reached 1.0 MMT (1.2 MMT MinAg data). This volume is about 30 percent more than in the previous year and was a result of increased planted area, and secondly, of favorable weather. Planted area in MY02/03 was estimated at 350,000 HA (390,000 HA MinAg data) which is about 90,000 HA more than in the previous year. Area was increased across the entire country with the Northeast region almost doubling the planted area. The trend of increased planted area was a result of good export demand which provided not only attractive prices but also timely inflow of funds in post-harvest time.

Favorable weather, especially rainfall in March 2002, led to good surface and subsurface

soil moisture and average yields reached 3.12 MT/HA. Input use in MY02/03 (and in MY01/02) was not satisfactory with only 55 percent of farms using herbicides, 8 percent using fungicides and insecticides. Fertilizer use was better with 75 percent of farms using nitrogenous fertilizers. However, only 4 percent of farms were using phosphorous fertilizers, and 3 percent were using potash.

Barley planting seeds used in MY02/03 totaled 70,000 MT or 21 percent more than in the previous year due to higher planted area. The share of certified seeds was 44 percent (31,000 MT) or 5,000 MT more than in MY01/02. This positive trend was a result of farmers' efforts to plant higher quality seeds due to export demand; and due to more stringent local seed quality control. The prevailing varieties are local: Obzor, Alfa, Hemus, Pleasant, Izgrev etc.

Production cost per hectare in MY02/03 was about 400 leva/HA (450 leva/HA in MY01/02) and the average production cost per metric ton was 139 leva/MT (compared to 143 leva/MT in MY01/02). The average farm gate price in MY01/02 was 166 leva/MT or most producers were selling at a profit margin of about 20 leva/MT.

Table#2. Barley Planted Area in MY2002/03

Barley Planted Area in MY2002/03		
Region	Crop Area, HA	Percent of change in MY02/03 vs MY01/02
Varna	68,750	100.3
Rousse	49,930	90.8
Blagoevgrad	1,3080	82.3
Montana	30,149	50.0
Sofia	12,593	45.1
Lovetch	66,375	35.8
Chaskovo	52,085	17.6
Plovdiv	27,750	3.2
Bourgaz	83,8240	0.9

Corn

In MY03/04, corn production is expected to increase in an effort to compensate for damaged fall crops. Favorable weather and sufficient surface and subsurface moisture are also favoring this trend. Planted area is likely to reach 400,000 HA or even more (close to MY01/02 levels). Production is projected to be about 1.4 -1.6 million MT (AgOffice estimate 1.5 million MT) or the highest in the last 3 years.

In MY02/03, the decline in planted area continued. This fall in planting is the result of several dry years, inefficient production, weak exports, inability to irrigate, farmers' efforts to grow less risky and lower cost crops. Therefore, MY02/03 planted area was a record low, 320,000 HA (360,000 HA, MinAg data). Harvested area was further reduced to 280,000 HA (300,000 HA, MinAg data). Planted area was 20 percent lower than in MY01/02 with a peak in reduction of 27 percent in Varna region. Irrigated corn was only 10 percent of total corn planted, but had an average yield twice as high when compared to non-irrigated corn.

Despite lower planted/harvested area, MY02/03 production was higher due to better yields as a result of favorable weather. Thus, the average yield increased from 2.5 MT/HA in MY01/02 to close to 3.6 MT (4.0 MT/HA, MinAg) in MY02/03. Only a few regions in Northwest Bulgaria suffered from drought. Farmers did not harvest about 12,000 HA. The AgOffice MY02/03 production estimate is for 1.0 MMT (vs 1.2 million MT MinAg data).

Over the last two years, the major rotating crops for corn were wheat and barley. In 2001 and 2002, corn was planted after wheat on 44 percent of total area; after barley on 7 percent; and after sunflower on 10 percent. Corn is grown back-to-back on 26 percent of its total area.

Input use was limited in corn production compared to wheat and barely. In 2001 (and similarly in 2002), 37 percent of farms used herbicides, 6 percent used fungicides and 5 percent used insecticides. The use of fertilizers was better with 80 percent of farms using nitrogenous fertilizer (on irrigated corn) and 55 percent used it on non-irrigated corn.

In MY02/03, certified planting seeds use amounted to 6,000 MT or about 1,400 MT less than in the previous season. The major Bulgarian varieties are Knejha -509, 423, 613, 614. Imported seeds, mainly French and U.S. origin. In MY01/02, imports of planting seeds were 1,800 MT, from Romania (820 MT), U.S. (417 MT), France (273 MT) and Austria (149 MT).

Production costs of the MY02/03 corn crop are estimated to range from 470 leva/HA to 700 leva/HA compared with 660 leva/HA in the previous year. The average production costs of MY02/03 corn were 117-175 leva/MT compared to 267 leva in MY01/02. Higher

yields reduced the production costs and increased profitability. In MY01/02, farm gate prices averaged 197-200 leva/MT which means that most producers were selling corn below the production cost.

Table#3. Grain and Oilseed Production Estimates in MY2002/03 and MY2003/04

Grain and Oilseeds Production Estimates in MY2001/02 and MY2002/03				
	Planted Crop Area, HA		Production, MT	
	MY2002/2003	MY2003/2004	MY2002/2003	MY2003/2004
Wheat	1,150,000	930,000 800,000 harvested	3,450,000	2,400,000
Barley	350,000	290,000 170,000 harvested	1,000,000	520,000
Corn	280,000	400,000	1,000,000	1,500,000
Sunflower	400,000	600,000	510,000	700,000
Note: Ag Office estimates				

In MY02/03, corn area slightly shifted by region. More than 80 percent of total corn was produced in the north-central and northeast region in 2002 or further east to in Dobrudja (see Table#4).

The corn harvest in MY2002/03 showed a higher moisture by percent, which increased expenses for drying and post-harvest handling. For example, corn produced in the northeast and north-central regions had very high moisture content (rains during harvest) and prices fell. Any percent of moisture above 15 percent (standard) was discounted by 3.5 leva/MT (\$1.84/MT).

Table #4. Corn production in 2002 by regions in Bulgaria

Corn production in 2002 by regions in Bulgaria		
Regions in the country	Percent of total prod. MY01/02	Percent of total prod. MY02/03
Northwest	21	8
North-central	38	23
Northeast	31	59
Southwest	1	2
South-central	8	6
Southeast	3	2
Total for the country	100	100
Source: SAPI information agency		

Consumption

Wheat PSD table

Updated MY02/03 supply and demand balances for wheat and barley are based on final production and trade data (according to official Customs sources) as of December 2002. FAS Sofia's previously revised PSD balances were done in August and December 2002.

The MY03/04 wheat PSD table is based on the latest official data and assume average yields of 3.0 MT/HA as the average for the last 5 years. MY03/04 PSD table shows that although the local market will not likely to face any significant shortages (except for feed), it is likely that Bulgaria's export capacity will suffer and exports may decline to 500,000 MT or only half of MY02/03 levels. Other factors which may impact MY03/04 exports are grain quality and the exchange rate of the local currency to the U.S. dollar. The Black Sea region will not be competitive in wheat exports. Some imports of higher quality wheat are possible to improve bread quality. If demand for exports increases significantly and prices are very attractive, it is possible for Bulgarian wheat exports to exceed 500,000 MT. However, this will lead to further feed shortages and lower feed use. Exports in MY02/03 are estimated to reach 1,060,000 MT (see trade, exports section). Exports of wheat flour is likely to reach 16,000 MT - 20,000 MT due to the wheat shortage in Romania.

Wheat imports in MY01/02 totaled 21,000 MT of which 14,572 MT of wheat (Canada, 14,000 MT); and 4,276 MT of wheat flour (Greece, 3,300 MT). Since these imports were caused by the lack of quality wheat/wheat flour for the confectionary industry, it is expected that imports stabilize at lower levels of about 18,000 MT in MY02/03 (given higher local supply in this year). In MY02/03, imports (as of April 2003) were about 9,000 MT (wheat and wheat flour), see trade/imports section. In MY03/04, imports are expected to be higher due to a forecast local shortage of good quality wheat and short supply in general. Higher wheat prices, however, are likely to limit imports to about 50,000 MT which might be used partly for mixing with lower quality wheat for bread making purposes.

Wheat use for seeds is usually around 280,000 MT to 330,000 MT depending on the planted area (the local norm is 280 kilos/HA). In MY02/03, about 300,000 MT of wheat was used for planting seeds and in MY03/04, the amount is expected to be the same. Demand might be higher due to attractive commercial wheat prices. However, the supply is likely to be limited due to expected lower quality of MY02/03 wheat.

Human consumption is at a level of 1,200,000 MT to 1,400,000 MT annually (MinAg estimate). In MY02/03, this consumption was estimated at 1,200,000 MT and the same is expected for MY03/04.

Feed consumption fluctuates depending on the livestock numbers and wheat prices. In MY02/03, less expensive feed wheat stimulated consumption to increase from 850,000 MT in MY01/02 to 950,000 MT in MY02/03 (1.1 MMT according to the MinAg). There was a substitution of other grains such as corn for wheat. In MY03/04, the opposite trend is expected due to higher wheat prices and feed shortages. Feed use of wheat in MY03/04 is likely to drop to 600,000 MT (or further if exports increase).

According to the MinAg, total feed grain needs in MY02/03 are estimated at 2,352,000 MT of which 1,060,000 MT wheat; 420,000 MT barley; 780,000 MT corn and 92,000 MT other grains. The MinAg estimate for MY01/02 use of feed grains was as follows: total 2,394,000 MT; 718,000 MT corn; 1,150,000 MT wheat; 430,000 MT barley and 96,000 MT other feed grains.

Wheat beginning stocks in MY02/03 were estimated at 350,000 MT (377,000 MT according to the MinAg). It is expected that beginning stocks for MY03/04 will be around 300,000 MT which coincides with a recent MinAg survey of available stocks. The level of beginning stocks will play a more important role for the overall supply and demand balance due to expected short crop. There are already reports of farmers holding of stocks in anticipation of higher prices. No commercial wheat exports from current stocks are expected in the period May-June 03 except for some wheat which might be exported from the state stocks.

Wheat PSD Table

PSD Table						
Country	Bulgaria					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1100	0	1150	1150	0	800
Beginning Stocks	500	0	350	350	400	300
Production	3100	0	3500	3450	0	2,400
TOTAL Mkt. Yr. Imports	21	0	50	18	0	50
Jul-Jun Imports	21	0	50	18	0	50
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	3621	0	3900	3818	400	2750
TOTAL Mkt. Yr. Exports	817	0	900	1,060	0	500
Jul-Jun Exports	817	0	900	1,060	0	500
Feed Dom. Consumption	850	0	650	950	0	600
TOTAL Dom. Consumption	2454	0	2600	2458	0	2100
Ending Stocks	350	0	400	300	0	150
TOTAL DISTRIBUTION	3621	0	3900	3818	0	2750

Wheat Import Matrix

Import Trade Matrix			
Country	Bulgaria		
Commodity	Wheat		
Time period	MY01/02	Units:	MY00/01
Imports for:			1
U.S.		U.S.	80
Others		Others	
Canada	14,081	Canada	9,732
Yugoslavia	200	Greece	2,550
Romania	21	France	474
Greece	3,298	Turkey	300
France	727	Italy	14
Turkey	40		
Italy	30		
Total for Others	18397		13070
Others not Listed	2,200		56
Grand Total	20597		13206

Wheat Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Wheat		
Time period	MY01/02	Units:	MY00/01
Exports for:			1
U.S.		U.S.	
Others		Others	
Spain	191,362	Germany	30,000
Italy	167,520	Romania	86,274
Portugal	41,058	Albania	48,932
Romania	33,366	Georgia	32,108
Macedonia	37,366	Morocco	55,003
Albania	39,835	Iran	149,956
Tunisia	57,631	France	14,860
Morocco	44,500	Ukraine	16,308
Iran	79,550	Israel	19,648
Israel	28,635	Turkey	12,459
Total for Others	720823		465548
Others not Listed	96,000		59,108
Grand Total	816823		524656

Barley PSD table

In MY02/03, barley exports were record high with the expectation to total 600,000 MT. This was a 215 percent increase over MY01/02 exports (see barley trade, exports section). However, the prospects for MY03/04 are bleak due to the short crop and expected lower quality compared to MY02/03. Ag Office estimates are for 80,000 MT of exports. It is possible for exports to exceed this amount which, as with wheat, will likely lead to a local feed shortage. Imports might be limited to planting seeds and small amounts for the needs of the brewing industry. If domestic supplies are not sufficient, Bulgaria imports 5,000 MT to 10,000 MT of malting barley.

Barley consumption for beer in MY02/03 is expected to stay stable at 150,000 MT as in the last two years and the same is estimated for MY03/04. In the first six months of 2002, beer production amounted to 220 million liters which is 1.74 percent less than in the same period in 2001. The market leader "Interbrew" (54 percent of total 2001 production) and its main competitor "Bulbrew" with a 17.23 percent market share are the main users of brewing barley. At the same time, some less expensive trade marks such as "Pirinsko pivo" and "Boliarka" registered significant growth. These changes in brewery output are estimated to be a result of stagnated consumer income and temporary substitution of more expensive with less expensive products. In 2003, competition among beer suppliers will increase with the expected release of the "Tuborg" brand manufactured by "Carlsberg" brewery in Shoumen (see Table #5) .

Barley feed use is estimated by the AgOffice at a stable level of around 270,000 MT in MY01/02 and MY02/03. The expectations for MY03/04 are to lower use to 240,000 MT due to the short crop. This use might be even less if prices start to increase due to export demand. The official MinAg estimates for feed use are higher, at 420,000 MT- 430,000 MT (see wheat subsection above).

Consumption for planting seeds is also stable at 70,000 MT - 80,000 MT. In MY02/03, barley seed use was about 70,000 MT (80,000 MT in MY01/02) due to lower planted area in the fall of 2002 for the MY03/04 crop. In MY03/04, seed use may decline to 60,000 MT - 70,000 MT due to an expected short crop, lower quality and export demand. It is possible to have imports of planting seeds as in MY01/02 when barley planting seeds were imported from Germany and Macedonia.

Table #5. Beer Production by Companies in 2001 and 2002 (first half) in Bulgaria in

‘000 liters

Beer Production by Companies in 2001 and 2002 (first half) in Bulgaria in ‘000 liters						
Company	2001	2002, Jan-Jul	% change 02/01	2001	2002 Jan-Jul	% change 02/01
Interbrew	134	51	-29	134	45	-33
Brewinvest	100	53	11	100	51	10
Bulbrew	69	38	17	69	10	10
Pirinsko pivo	44	28	14	41	24	30
Shoumensko pivo	37	16	-19	34	15	-12
Boliarka	33	21	13	33	18	18
Lomsko pivo	15	7	-6	13	6	
Sofia beer	5	5		4	4	
Total	437	220	-1.74	428	195	-2.03

Barley PSD Table

PSD Table						
Country	Bulgaria					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	260	260	330	350		170
Beginning Stocks	7	150	72	120	22	31
Production	750	750	950	1,000	0	520
TOTAL Mkt. Yr. Imports	2	1	0	1	0	10
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	759	901	1022	1121	22	561
TOTAL Mkt. Yr. Exports	287	279	500	600	0	80
Oct-Sep Exports	509	279	100	600	0	80
Feed Dom. Consumption	200	272	350	270	0	240
TOTAL Dom. Consumption	400	502	500	490	0	461
Ending Stocks	72	120	22	31	0	20
TOTAL DISTRIBUTION	759	901	1022	1121	0	561

Barley Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Barley		
Time period	MY01/02	Units:	MY00/01
Exports for:	metric tons		1
U.S.		U.S.	
Others		Others	
Saudi Arabia	143,849	Saudi Arabia	55,201
Tunisia	34,161	Syria	12,717
Romania	40,113	Romania	8,461
Cyprus	4,413	Cyprus	6,271
Algeria	16,618	France	29,552
Portugal	2,634	Holland	17,701
Macedonia	4,182	Macedonia	2,141
Morocco	15,230	Malta	10,695
Israel	8,378	Algeria	6,477
Libya	4,692	Israel	12,600
Total for Others	274270		161816
Others not Listed	4,300		80
Grand Total	278570		161896

Corn PSD table

The PSD tables for corn are updated based on official trade figures from Bulgarian Customs and final estimates for production, consumption and stocks.

The MY01/02 PSD table is revised for beginning/ending stocks. Also, feed consumption was higher than initially estimated thanks to strong demand by the poultry industry.

In MY02/03, exports are expected to be up and to reach 190,000 MT which is about a 5-fold increase over MY01/02 exports. In MY03/04, exports are likely to be even higher and may reach 300,000 MT, a level comparable to MY99/00 exports (294,000 MT) when production was high and the quality was very good. Another reason for expected higher exports of corn in MY03/04 are farmers' and traders' efforts to compensate for lower wheat and barley exports by increasing exports of spring crops.

Imports are forecast stable at 90,000 MT in MY02/03 and 80,000 MT in MY03/04 due to the local demand for higher quality corn for industrial processing. Imports in MY01/02 were 121,000 MT due to shorter crop and its lower quality.

Corn use for seeds is traditionally at 8,000 MT. In MY02/03, this use is likely to reach 9,000 MT due to higher planted area in MY03/04. In MY03/04, seed use is forecast at 8,000 MT.

Corn consumption for industrial purposes is stable at 250,000 MT. No changes in this level are expected in the near future. The final industrial products are starch, glucose, corn flour, corn oil, and corn grits etc. Significant value export products are corn starch and oil. In MY01/02, starch exports were 6,650 MT at an average export price of \$283/MT. Major export markets for Bulgarian corn starch are Albania (1,602 MT) and Turkey (1,483 MT). Total MY01/02 exports of corn oil were 1,558 MT at \$551/MT to Turkey (1,033 MT), Greece (506 MT) and Albania (19 MT). Corn flour is entirely used in the local market.

Feed corn consumption fluctuates with corn quality and prices of possible substitutes such as wheat and barley. In MY01/02, feed consumption was estimated at 720,000 MT (the official MinAg figure). In MY02/03, this consumption is likely to drop to 640,000 MT due to higher export demand, and to increase again in MY03/04 due to expected higher supply and likely shortages of wheat and barley (as well as their high prices).

Corn ending stocks in MY03/04 are forecast to be higher at 160,000 MT given the current production forecast. Annually, corn stocks range between 40,000 MT - 60,000 MT.

Corn PSD Table

PSD Table						
Country	Bulgaria					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	340	340	280	280	0	400
Beginning Stocks	0	65	0	40	0	40
Production	870	870	1000	1,000	0	1500
TOTAL Mkt. Yr. Imports	122	121	100	90	0	80
Oct-Sep Imports	122	121	100	90	0	80
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	992	1056	1100	1130	0	1620
TOTAL Mkt. Yr. Exports	41	41	100	190	0	300
Oct-Sep Exports	41	41	100	190	0	300
Feed Dom. Consumption	551	720	600	640	0	900
TOTAL Dom. Consumption	951	975	1000	900	0	1160
Ending Stocks	0	40	0	40	0	160
TOTAL DISTRIBUTION	992	1056	1100	1130	0	1620

Corn Import Matrix

Import Trade Matrix			
Country	Bulgaria		
Commodity	Corn		
Time period	MY01/02	Units:	MY00/01
Imports for:	metric tons		1
U.S.	475	U.S.	750
Others		Others	
Hungary	119,009	Hungary	11,568
Romania	821	Brazil	48,163
France	263	Ukraine	10,257
Austria	149	Paraguay	10,000
Croatia	74	Yugoslavia	971
Yugoslavia	46	Romania	201
Italy	42	France	732
South Africa	40	Austria	96
		Canada	87
Total for Others	120444		82075
Others not Listed	40		30
Grand Total	120959		82855

Corn Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Corn		
Time period	MY01/02	Units:	MY00/01
Exports for:	metric tons		1
U.S.		U.S.	
Others		Others	
Turkey	14,321	Turkey	23,983
Romania	406	Romania	27,775
Libya	7,878	Albania	3,253
Tunisia	2,678	Macedonia	4,046
Syria	5,242	Yugoslavia	252
Jordan	4,853	Georgia	3,165
Cyprus	2,224	Austria	61
Macedonia	1,513		
Albania	1,754		
Total for Others	40869		62535
Others not Listed	98		92
Grand Total	40967		62627

Prices

Wheat

Speculation is ongoing regarding possible farm gate prices of the new MY03/04 wheat crop. Government institutions as well as farmers and traders are carefully watching the supply situation in the region, especially recent developments in the Ukraine. A special survey on available in-country stocks was also undertaken (estimated 300,000 MT for wheat). There are already calls for imposing restrictions on grain exports. However, this idea faces the strong opposition of producers, traders and suppliers of inputs who are hopeful to generate higher profits from expected higher prices. On the other hand, those farmers/traders/warehouses who have available wheat stocks have slowed down sales in anticipation of higher prices later in 2003. Wheat prices jumped in mid-April with an increase of 10 percent in just the last week of April. Some producers, mainly those in financial need, started to close forward contracts for sale of the MY03/04 crop at 110-120 leva/MT. Experts estimate post-harvest prices may start at a minimum of 150 leva/MT but more likely at 160-170 leva/MT (\$88-\$94/MT). Some traders have offered 175 leva/MT (\$100/MT) for purchases in June when the new crop harvest should start.

Prices as of April 2003: milling wheat - 180-190 leva/MT, there were a few contracts at 200 leva/MT; feed wheat - average range 140-156 leva/MT, at some places reached 170 leva/MT; wheat flour prices increased by 2-20 leva/MT in various regions in the country; bread prices were stable (exchange rate in the this period 1.78 leva/one U.S. dollar).

In MY02/03, farm gate prices were the lowest in the last 4 years. Major reasons for this situation were higher supply, low quality; competition from Russia and Ukraine in the Black Sea region. The Black Sea market determines export prices, and thus, local farm-gate prices. A general factor was the low exchange rate of the U.S. dollar to local currency which reduced the price in leva. In general, export prices in the Black Sea region in MY02/03 (including Bulgaria) were \$30-\$50/MT lower than export prices of the largest world exporters, which in turn, negatively affected local farm-gate prices.

In mid-September 02, farm gate prices of milling quality wheat started gradually to increase due to export demand and the declared GOB intervention price of 160 leva/MT (\$88/MT). However, in January-February 2003, farm gate prices were still around 160 leva/MT with the exception of good quality wheat which reached 170-180 leva/MT (\$94-\$100/MT). Traditionally, prices in South Bulgaria were 10 leva/ MT (\$5.5/MT) higher than in North Bulgaria (supply allocation).

Prices of feed wheat in July - September 2002 were 115-121 leva/MT (\$64-67/MT) or \$5.5 to \$7.7/MT lower than milling wheat prices. Germinated wheat was purchased at the

lowest price of 60-90 leva/MT (\$33-\$50/MT). Starting in October 2002, this price difference between feed and milling wheat has increased to \$10-\$14/MT due to limited supply and higher demand for milling wheat.

Wheat flour prices in MY02/03 followed the trend of wheat farm-gate prices by declining from 360 leva/MT (\$200/MT) in July 2002 to 327 leva/MT (\$182/MT) in January 2003. Bread prices were stable at 0.73 leva/kilo (\$0.40) until January 2003 when they dropped to 0.69 leva/kilo (\$0.38).

Export prices of Bulgarian milling wheat (second class, gluten min. 25 and 22 percent) in July - September 2002 were comparable with export prices of Ukrainian and Russian wheat (#3, gluten content min.23 percent). Since September 2002, prices in Bulgaria, started to rise due to export demand and increased world prices. At that time, Ukrainian wheat was traded at \$15-\$20/MT more than Bulgarian wheat at Black Sea ports. Major reasons for this difference were larger and better equipped Ukrainian ports, an ability to serve bigger vessels, and the availability of larger commercial lots of unified quality.

Export prices in July - December 2002 were the lowest over the last 4 years (FOB basis). In the July-August period, they were comparable with export prices of Ukrainian milling and feed wheat (\$83-\$84/MT), and after September, they were closer to Ukrainian feed wheat (both for milling and feed quality) - \$74-\$80/MT. By December 2002, export prices for both milling and feed wheat averaged \$93/MT.

In MY03/04, expectations are for higher export prices due to shorter crops in Ukraine, Romania, Russia and other Eastern European countries as well as on the local market; and anticipated higher world prices.

**Table #6. Wheat and wheat products prices (farm-gate, wholesale, retail)
by months from July 2002 to February 2003**

Wheat and wheat products prices (farm-gate, wholesale, retail) by months from July 2002 to February 2003									
	VII	VIII	IX	X	XI	XII	I	II	Av.
Farm gate lv/MT									
milling	132	130	136	147	151	153	155	157	145
feed	121	121	115	121	125	128	130	131	124
Export FOB, \$/MT	83.2	83.6	73.7	80.2	81.8	92.5			80.9
Wheat flour wholesale price, leva/MT	367	345	344	338	330	327	327	327	338
Bread wholesale leva/kilo	0.66	0.66	0.66	0.66	0.65	0.64	0.62	0.62	0.65
Wheat flour, retail, leva/kilo	0.58	0.57	0.55	0.55	0.54	0.53	0.53	0.53	0.55
Bread, retail, leva/kilo	0.73	0.73	0.73	0.73	0.72	0.72	0.69	0.69	0.72
Exchange rate, leva/\$	1.969	2.0	1.995	1.993	1.922	1.934	1.84	1.81	1.934

Barley

As of the last week of April, barley prices were 165-180 leva/MT (\$94-\$102/MT). Only feed quality was traded and sales were in small lots due to declining stocks.

Farm gate prices in MY02/03 were determined by strong competition among breweries and exporters. For the first time ever, the demand for exports and for local purchases (for beer) was higher than for wheat. Only in the first post-harvest period, exports amounted to 184,000 MT, which was 40,000 MT more than in the same period a year before.

Despite export demand, larger supply did not allow for farm gate prices to increase and they remained at a generally lower level when compared to MY01/02. The post-harvest sales campaign started at 121-125 leva/MT which was 40 leva/MT less than in MY01/02. As of December 2002, prices were 123-128 leva/MT. In the period July-September 2002, farm gate prices, were comparable to Ukrainian farm gate prices. In MY01/02, this difference was about \$10-15/MT.

FOB Black Sea port export prices in MY02/03 were \$78-\$80/MT on average. The largest quantities were exported to Romania where the crop was not as good and farm gate prices were \$10-12/MT higher than in Bulgaria. In MY01/02, Bulgarian export prices, \$70-\$77/MT, were also about \$10/MT lower than Romanian farm gate prices (\$81-\$87/MT). A large portion of this MY02/03 barley was re-exported via the main Romanian Black Sea port of Constantza. Exports to other major markets, Saudi Arabia, Algeria, France and Syria were done at \$77-\$79/MT FOB Black Sea port. Export prices were highly influenced by Ukrainian export prices on the Black Sea (\$76-\$81/MT).

Corn

Farm gate prices in MY02/03 were not expected to fluctuate considerably. The post-harvest prices started at 170-200 leva/MT compared to 211-226 leva/MT in the previous year. At the end of April 2003, corn prices were 180-200 leva/MT (\$102-\$114/MT) and are forecast to stay around this level until the new crop comes to the market.

The average farm gate price for corn in MY01/02 was about 205 leva/MT, lower than in the previous season. In general, corn prices in Bulgaria are traditionally higher than in the U.S. due to limited supply and lower demand. In MY01/02, this price difference ranged from \$22-32/MT. For example, the average farm gate price in Bulgaria was \$96/MT vs \$78/MT in the United States. In MY02/03, price difference narrowed to \$100/MT in Bulgaria and \$98/MT in the U.S. due to shorter U.S. crop.

Export prices in MY01/02 averaged \$99/MT. They varied from \$94/MT to \$103/MT which was \$3-\$11/MT above world prices. These non-competitive prices predetermined weak export interest.

Import prices in MY01/02 were valid for only Hungarian origin wheat coming in during the January-July period at \$96/MT which is comparable to local farm gate price. However, Hungarian corn is of much higher quality, consistency and sold in bigger commercial lots. These were the main reasons for Hungarian imports to increase 10 fold in MY01/02 compared to MY00/01 (the Bulgarian import price at that time was CIF \$138/MT).

Trade

Imports

Wheat

Bulgaria is a net exporter of wheat and wheat products. Imports are possible in times of shortages and mainly in the form of wheat flour. The major reason for wheat and wheat flour imports are lower quality of local supply. Over the last 5 years, wheat flour imports have been gradually declining in parallel with improving quality of local supply. Imported wheat is usually of prime quality, with a gluten content about 30 percent.

In MY02/03, imports are expected to be stable at 18,000 MT. Imports for the period July - December 2002 were 6,300 MT of wheat and 2,000 MT of wheat flour or total about 9,000 MT on a wheat equivalent basis. Traditional suppliers of wheat flour to Bulgaria are France and Greece. Canada supplies the majority of high quality imported wheat.

Table #7. Wheat and wheat flour imports in July - December 2002 in MT by origin

Wheat and wheat flour imports in July - December 2002 in MT by origin	
Wheat flour	
Greece	1,544
France	390
Italy	11
Other	6
Total wheat flour	1,950 (2,708 MT in wheat equivalent)
Wheat	
Canada	6,000
Yugoslavia	31
Other	215
Total wheat	6,246

Trade regime

Imports of wheat and wheat flour

In 2003, the revised Tariff Code introduced two columns, conventional duties which are the WTO bound rates; and autonomous duties which are the applied rates. In 2003, despite the general applied duties, wheat imports remain duty free due to autonomous duty free import quotas.

HS# Number	Conventional Duties	Autonomous Duties	Autonomous tariff reduction for duty free imports	
			Period	Duty
1001 10 00 Durum wheat	15%	15%	1.01 - 31.12	0%
1001 90 Other wheat	50%	25%	1.01 - 31.12	0%
1101 00 Wheat flour	75%	25%		

Imports from CEFTA countries and Croatia in 1999-2003 are at zero duty for wheat planting seeds, HS#1001 10 00, and at 15 percent duty for regular wheat, HS#1001 90. Imports of wheat flour from Croatia are levied at 15 percent.

Imports from Macedonia, Turkey, Canada, EU and EFTA are levied the general duties.

In MY02/03, there were no significant imports from those countries with the exception of wheat flour from Greece, 1,544 MT; and from France, 390 MT (Table#7).

Barley

No imports are expected in MY02/03 due to sufficient local supply. In MY01/02, imports included only 32 MT of barley planting seeds; of which 22 MT were from Germany and 10 MT were from Macedonia. In the past years, Bulgaria imported 5,000 MT to 10,000 MT of malting barley. In MY03/04, short local supply is likely to lead to some imports of malting barley (10,000 MT) as in the past.

Trade regime

Imports of malting and feed barley are levied a 20 percent general duty, and planting seeds imports are levied a 3 percent duty.

Preferential trade agreements include:

- import quota for malting barley, 10,000 MT, at 15 percent duty (GATT quota);
- import quota for malting barley of EU origin, 100 MT at 14 percent duty;
- imports of feed and malting barley at a reduced duty of 18 percent from CEFTA countries;
- autonomous tariff reduction for imports of barley in the period January 1 - June 30, duty free;
- duty free imports of EU origin products have a limit of 15,000 MT for the following products: planting barley, HS#1003 00 10, other barley, HS#1003 00 90, barley flour, HS#1102 90 10, barley grits, HS#1103 19 0, and barley granules, HS#1103 20 20.

Corn

According to preliminary data, MY02/03 corn imports are only 83 MT (October-December 2002). Since the MY02/03 crop was higher, imports in general are expected to be lower, about 90,000 MT, and to arrive mainly in the second half of the marketing year. Traditionally imported corn is for industrial purposes (for a large starch manufacturer) and not for feed; and for planting seeds.

The U.S. share of the planting seeds market is significant due to the presence of two U.S. seed companies in Bulgaria. In MY02/03, corn seed imports are likely to be higher due to the demand in the spring of 2003 for more seeds in an effort to plant greater crop area. There are prospects for U.S. planting seeds to reach a 50 percent market share. In MY01/02, U.S. exports of planting seeds were 475 MT; and 750 MT in the previous year. In MY01/02, The U.S. was the second largest supplier of planting seeds (25 percent share) after Romania. In MY00/01, the U.S. was the leading supplier with a 40 percent market share.

In MY01/02, a short local crop led to increased imports by 46 percent or 121,000 MT. The major exporter to Bulgaria were Hungary (119,000 MT for \$10.9 million) for corn for industrial use; and 1,932 MT of corn planting seeds (at \$1.3 million). The major suppliers of planting seeds were Romania (821 MT), U.S. (475 MT), France (263 MT) and Austria (149 MT). These imports were done duty free in the period January - October 2002. In MY00/01, planting seeds imports were at 1,888 MT (\$3.6 million) and feed corn imports were 81,000 MT for \$11.2 million.

Trade regime

The general duty for corn is 15 percent and 5 percent for planting seeds.

In 2002 and 2003, Bulgaria provided the following preferences for imports:

- tariff quota of 100,000 MT for corn, HS#1005 90000, at 5 percent duty (GATT agreement);
- EU origin imports of corn planting seeds- duty free, HS# 1005 10 110, 1005 10 130, 1005 10 150, 1005 10190;
- CEFTA origin imports of corn planting seeds , HS#1005 10 - duty free;
- Croatia origin imports of corn planting seeds - duty free;
- duty free access for imported corn for the period January-October.

Exports

Wheat

Prospects for wheat exports in MY03/04 are not optimistic and market signals are conflicting. This is related, on one hand, to a short local crop; expected lower quality; higher supply in the usual export markets; and low exchange rate of the U.S. dollar to the Bulgarian leva. On the other hand, the market is confused by unpredictable GOB policy statements (i.e.possible export limitations), lower regional crops/ and competition. The new regime of import quotas in the EU and the newly agreed Bulgarian wheat export quota, 250,000 MT, is expected to increase competition among suppliers in the Black Sea region. The Ag Office estimate for wheat exports in MY03/04 is for 500,000 MT.

According to official Customs data, wheat exports in MY02/03 as of end-March were 921,898 MT (985,000 MT according to the MinAg and 960,000 MT according to SAPI (AgroMarket Information Agency). The MinAg forecasts MY02/03 total exports to reach 1.060 million MT. These exports will be the highest over the last 10 years. The pace of exports picked up with 750,000 MT exported in July-December 2002 compared to 300,000 MT for the same period in 2001. About 550,000 MT of feed wheat was exported to the EU in this period which exceeds total MY01/02 wheat exports to the EU for the entire year. Major destinations are Spain, Italy and Belgium. Other major markets are Egypt and Algeria.

Wheat flour exports for the period July - December 2002 were 8,182 MT to countries in the Balkan region: Romania, 4,508 MT; Albania, 1,839 MT; Macedonia, 640 MT etc.

Export Trade Regime

In 1999 - 2003, exports were liberalized. Exports to EFTA, Turkey and Macedonia are levied the general duties. According to the agreement with the EU, Bulgaria can export in

the period July 02 - June 03, wheat - 2,750 MT and durum wheat - 10,326 MT at a 20 percent reduction from the general duties (95 Euro/MT for wheat and 148 Euro/MT for durum wheat). It has been officially agreed that Bulgaria will be granted an export duty free quota of 250,000 MT of wheat under Bulgaria's EU accession terms. This quota will be effective only after ratification by each of EU member states in 2003.

In 2001 and 2002, the EU grain import system allowed significant imports of price competitive Black Sea grains. In MY01/02, Bulgaria exported to the EU 422,000 MT and in August - December 2002, 516,000 MT, mainly to the southern EU countries - Spain, Italy and Portugal. In 2003, new import quotas in the EU will allow Bulgaria to export under the category of "other" countries or to compete with Russia and Ukraine for the use of total EU quota of 2,371,600 MT.

Bulgarian exports of wheat and wheat flour to CEFTA are levied 15 percent, exports of durum wheat are duty free. Over the last two marketing years, Bulgaria exported mainly to Romania, in MY01/02 - 33,366 MT of wheat and 6,740 MT of wheat flour; and in August -December 2002 - 13,544 MT of wheat and 4,629 MT of wheat flour. The other export market is Poland with only 320 MT of wheat flour exported in MY01/02.

Exports to Turkey are via a quota of 500 MT for wheat, HS# 1001 9010 at 50 percent reduction in import tariff. Bulgaria did not export in MY01/02 to Turkey, and in August-December 2002, exports were 1,000 MT. These exports continued in early 2003 to above 7,000 MT and total MY02/03 exports to this market may reach 10,000 MT.

Exports to Israel are duty free for a quota of 15,000 MT of wheat, HS# 1001 90 10, and for 2,000 MT of wheat flour. In MY01/02, these exports were much higher, 28,635 MT, and in MY02/03 (August-December), it was 3,000 MT.

Bulgaria does not have trade preferences covering exports to Macedonia, Croatia, Lithuania and Estonia.

According to unofficial trade sources, wheat exports in the period January - March 03 were as follows:

Table# 8. Wheat Exports January 03 - March 2003 in MT by destinations

Wheat Exports January - March 2003 in MT by destinations	
Albania	2,845
Algeria	5,869
Turkey	7,670
Italy	75,517
Libya	15,507
Romania	56,971
Vietnam	651
Macedonia	456
Total	165,486

Table #8A. Wheat Flour Exports in MY00/01, MY01/02, and MY02/03 (July - December 2002) in MT

Wheat Flour Exports in MY00/01, MY01/02, and MY02/03 (July - December 2002) in MT			
Destination	MY02/03	MY01/02	MY00/01
Albania	1,839	6,442	3,422
Romania	4,508	5,751	10,510
Macedonia	640	3,001	688
Moldova	20	104	854
Yugoslavia	0	0	2,434
Singapore	276	0	0
Vietnam	792	0	0
Greece	23	-	83
Other	86	229	169
Total	8,182	16,227	18,656

Barley

MY02/03 exports as of end-December had reached 517,000 MT. The MinAg forecast is for 600,000 MT with the bulk exported by December 2002 when local prices were competitive and export demand was favorable. According to SAPI, barley exports as of April 2003 have reached 610,000 MT. MY02/03 barley quality was also very good which further stimulated demand. All exported barley was of feed quality with the exception of 10,000 MT of malting barley for Romania.

In 2003, Bulgaria negotiated a duty free exports to the EU in a quota of 50,000 MT for the period July 1, 2003 - June 30, 2004. The quota is valid for barley and barley flour, grits and granules.

Major barley export destinations in MY02/03 are Algeria, Saudi Arabia (27 percent of total exports) and Romania (22 percent of total exports).

In MY01/02, exports were 278,000 MT or 115,000 MT more than in the previous year.

The major export market was Saudi Arabia with 143,000 MT or 52 percent of total exports for the year.

Corn

In MY02/03, corn exports are expected to reach 190,000 MT (184,000 MT as of April 2003). These exports are a record high compared to the last several years. In MY01/02, corn exports were only 41,000 MT. In MY03/04, corn exports are expected to be higher (close to 300,000 MT) due to better local supply. However, the regional competition is anticipated to be tight. In 2003, Bulgaria negotiated free duty exports to the EU at 80,000 MT. Currently, Bulgaria does not allow commercial planting or trade in biotech corn varieties. Changes are expected later in 2003 with the expected new legislation.

Major export markets in MY02/03 are Turkey, Morocco, Tunisia and Spain (see Table#9, #10). In MY01/02, the export destinations were almost the same, Turkey, Syria, Libya, Tunisia, Cyprus, with the exception of Spain.

Table #9. Corn Exports in January 03 - March 2003, in MT by destinations

Corn Exports in January 03 - March 2003, in MT by destinations	
Turkey	27,187
Morocco	25,783
Tunisia	29,694
Libya	12,676
Algeria	1,262
Spain	28,329
Romania	16,184
Total	141,184

Table#10. MY02/03 Wheat, barley and corn exports by destinations as of December 2002

MY02/03 Wheat Exports in MT by destinations July-December 2002		MY02/03 Barley Exports in MT by destinations July-December 2002		MY02/03 Corn Exports in MT by destinations October-December 2002	
Italy	120,827	Syria	10,204	Romania	21,278
Tunisia	22,922	Algeria	86,143	Algeria	10,162
Greece	34,864	Saudi Arabia	142,742	Syria	7,764
Turkey	1,000	UAE	6,704	Cyprus	3,875
Spain	278,461	Lybia	6,600	Macedonia	218
Lebanon	10,647	Romania	113,039		
Algeria	82,402	Morocco	9,905		
Albania	2,190	Tunisia	57,920		
Romania	13,554	Spain	36,745		
Yemen	22,000	France	21,089		
Egypt	61,479	Greece	7,817		
Belgium	43,277	Cyprus	6,431		
Macedonia	10,149	Turkey	5,603		
France	13,843	Germany	4,310		
Portugal	21,996	Macedonia	1,423		
Total	756,412 \$63 million	Total	516,679 \$41.0 million	Total	43,298

Domestic Policy

Domestic support

Wheat

In MY03/04, the State Fund Agriculture (SFA) extended the following soft credit lines to wheat producers:

- target subsidy for purchases of planting seeds (wheat and barley), effective since September 2002; allocation used was 6.5 million leva for planting of 253,000 HA;
- target support for purchases of fertilizers for wheat and barley; allocation used was 14.3 million leva of which 11.0 million leva credit and 3.3 million leva subsidy; treated area 400,000 HA;
- target subsidy for diesel fuel; allocation used was 3.8 million leva for 260,000 HA;

The SFA support in MY02/03 was similar, in addition, a storage subsidy was paid to those who used public warehouses.

State Intervention

In August 2002, the GOB established a grain intervention fund/reserve (Decree #198 of August 29, 2002) to purchase 200,000 MT of wheat at an intervention price of 160 leva/MT. The period for this intervention was extended initially from December 2002 to June 2003. According to the MinAg, as of February 2003, the Reserve has contracted for purchase of 192,000 MT of wheat via the three commodity exchanges in the country. As of February 2003, only 160,000 MT (MinAg data) of wheat were actually delivered to the state reserve warehouses. Thus, the targeted volume of 200,000 MT was not acquired.

In general, this is the first effort for EU-style state intervention. It was not very successful for the following reasons:

- the intervention was done under political pressure, too late in the season, and the industry and trade were not notified in advance;
- transparency was not sufficient;
- the intervention was directed to only registered producers, and many small/medium ones are not registered;
- about two-thirds of the wheat was of feed quality which was not allowed to be purchased by the state;
- most producers who had better market access, quality and commercial lots, preferred to sell on the open market. Many waited for better market prices later in the year.

According to trade sources, the state grain reserve will try to sell accumulated wheat stocks from the intervention in the period May-June 2003 when local and export prices should

exceed the intervention price. By law, this should be done via the public commodity exchanges. It is very likely that this wheat will be exported.

Public warehouses and warehouse receipts

Over the last three years, a system of public warehouses has successfully developed as a financial alternative for agricultural credit. This system is providing more liquidity and stability in domestic grain market. As of February 2003, the Government Grain Agency licensed 42 public warehouses with a capacity of 500,000 MT. There are 122 other (non public) licensed warehouses with a capacity of 860,000 MT. The number of warehouse receipts issued has gradually increased to over 1,000 in 2002 for 310,000 MT. Currently eight commercial banks provide credit against these warehouse receipts. In 2002, the amount of such credits was 12 million leva. In MY02/03, the SFA provided farmers with a storage subsidy of 1.50 leva/MT/month in order to support the development of this system.

Revised Grain Law

In May 2003, the GOB will revise the Grain Law. The draft has been publicly discussed and was attacked by the Association of Grain Traders. The draft envisages that the National Grain Agency, as a government institution, should have the monopoly in issuing export certificates for grain and grain products. Currently, this activity is done by any certified and accredited laboratory, and on a voluntary basis, if agreed between the trading parties. The practice will also increase fees paid by exporters from current 17 percent from the final cost to 22 percent. Since traders are limited by the export price, which is usually determined by the large players such as Russia and Ukraine, this extra cost will be likely paid by producers. This will discourage exports, increase local stocks and in turn reduce local prices. It is not clear at this point if the GOB will accept change and make the necessary modifications in the draft law.

Another change in the law is a lower standard for licenses of public warehouses, from 3,000 MT capacity to 1,500 MT. Other non-public warehouses will be only registered by the Grain Agency.

Corn

The biggest challenge for efficient corn production in the country is the lack of irrigation. This is related both to the slow reform in the irrigation management, privatization of irrigation systems and to the state of old, abandoned irrigation equipment/systems. In the recent years, a reform in this area was supported by international institutions (World Bank projects). As a result, so called water-associations of users were built. In early 2002, the GOB issued a new regulation according to which these associations can use a minimum of

5,000 leva annually for reconstruction and repair of irrigation equipment. The associations can use this GOB financial support up to 80 percent of the total project cost. This support will be provided to those associations which are receiving free stakes (taking ownership) in irrigation equipment system.

The SFA provides three credit lines for corn: a target financial line, credit and a subsidy for purchases of fertilizers; special financial terms for purchases of plant protection chemicals; and for purchases of planting seeds are available from the government.